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DIRECTORATE OF  
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VIETNAM: The Viet Cong's new seven-point proposal softens the Communists' position on POW release but retains and amplifies a very tough line on US disengagement from the war. In addition, it repackages Hanoi's demands for a political settlement in South Vietnam in a superficially more attractive form.

Madame Binh stated that if the US sets "a terminal date for the withdrawal from South Vietnam in 1971 of the totality of US forces" and those of its allies, the Communists and the allies will immediately work out arrangements to ensure the safety of the withdrawing troops and to release the soldiers and civilians "of all parties" who are held as prisoners. Prisoner release, the statement appeared to promise, will be timed to end when withdrawals are completed.

The formulation on the prisoner-release question is new; up to now the Communists have said only that the POW issue would be "discussed" when the US set a withdrawal date. The demand that US military disengagement be total--including noncombatants, equipment, and bases, as well as combat troops--is as firm as ever. Moreover, by including for the first time civilian as well as military prisoners, the Communists are opening the whole thorny problem of the Communist civilian cadre who are now held by Saigon. The statement carefully obscures the fact that there could be a considerable lag between the time Washington sets its deadline and the time the modalities for withdrawal and prisoner release are worked out.

There are two new nuances in the Communist position on a political settlement in South Vietnam. Last September's proposal contained an elaborate scenario involving the formation of a new non-Communist "administration" in Saigon excluding President Thieu, Vice-President Ky, and Prime Minister Khiem, and the establishment of a temporary coalition government on the basis of negotiations between this

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"administration" and the Communists. The new statement retains the same scenario, but Ky and Khiem are not mentioned, and Hanoi simply demands that the US "cease backing the bellicose group" headed by Thieu. Among other things the Communists seem intent on creating the impression that the election of Big Minh could prove an initial step toward peace.

Second, the Communists have replaced their demand for a coalition government with something less precise. They now say only that a broad "government of national concord" will be the outcome of talks between a post-Thieu "administration" and the Communists. They do refer to earlier demands that this government have "three segments," including individuals from the Communists' provisional government and from the present Saigon regime as well as "peace-loving" people who presently belong to neither. Even this demand is less specific than before, however, and the Communists seem to be trying to leave the impression that the form of government is open to negotiation. Moreover, the language of this section--and indeed much of the statement--is cast to convey an image of conciliation and reasonableness without committing Hanoi to anything specific.

The Communists doubtless hope that their initiative on the prisoners--coupled as it is with a restatement of their basic position on US withdrawals--will make things awkward for the US Government both at home and overseas. They may also believe that their political proposals will appeal to many in the US who are looking for a face-saving way out of the war. They probably are also hoping that the new proposals will fuel worries in Saigon about Washington's longer-term support. The new formula for a political settlement in South Vietnam, by its fuzziness and air of reasonableness, is designed both to encourage individuals in South Vietnam whose support of the war is wavering and to give some ammunition to those who are already working to build an anti-Thieu, anti-war constituency.

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**CAMBODIA:** Inflation has greatly accelerated during the past week and confidence in the currency continues to plummet.

Prices have skyrocketed in Phnom Penh as a result of increased military spending, depleted stocks of imported items, reduced shipments of food into the capital, and early indications of a poor rice crop next season. Beef and pork are selling at more than double the normal prices. The open market price of rice, which had held steady for more than a year, also doubled in a matter of days and, despite government rationing at official prices, has not fallen appreciably.

The black market value of the riel has also depreciated drastically. The price of a US dollar in Phnom Penh, 250 riels on 21 June, has risen to 350 riels, reflecting in part further flight of Chinese capital. Chinese merchants, who are hoarding large quantities of foodstuffs, are undoubtedly very apprehensive at the present time and probably fear a recurrence of demonstrations against them.

Some recent developments may eventually help restore public confidence. Cambodia's leadership only last week accepted in principle all of the fairly sweeping fiscal and monetary reforms recommended by the International Monetary Fund (IMF) in March. The first shipment of PL-480 agricultural commodities arrived in Phnom Penh last week, and the US aid program after extended delays now appears to be gathering momentum. Moreover, a multilateral exchange support fund recommended by the IMF, if established, would help stabilize the exchange market and give Cambodia a powerful instrument against inflation.

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COMMUNIST CHINA: Peking's failure to elaborate on the achievements of the Cultural Revolution in its pronouncement yesterday on the 50th anniversary of the Chinese Communist Party dramatically attests to the intensity of factional and personal conflicts within the ruling politburo.

The authoritative editorial commemorating the occasion--largely a panegyric to the rectitude of Mao Tse-tung's "line" and a recounting of the political sins committed by many of his earlier party opponents--was remarkable for the cursory treatment it accorded the most momentous purge in the history of the Chinese party. As to be expected, the editorial severely castigated deposed state chairman Liu Shao-chi, but it pointedly omitted censure of numerous other opponents uncovered by Mao and his radical lieutenants in the Cultural Revolution Group (CRG) in the tumultuous 1966-1968 period; instead, the editorial flatly stated that "we will not go into detail about this revolution."

The mounting political pressure over the past year on the radical ideologues on the politburo has cast considerable doubt on the ultimate outcome of the Cultural Revolution, and it now appears likely that much of its history may be in the process of being rewritten. In particular, the apparent purge of Chen Po-ta, Mao's personal secretary and former head of the CRG, amid reports that the activities of "extremists" are being intensively investigated, suggests that Chen, and perhaps other leaders associated with him, may be eventually pilloried for their "errors" in the Cultural Revolution. The editorial's condemnation of counterrevolutionaries who created chaos and sought personal power in the "revolution," its call for exposing conspirators and renegades still left in the party, its praise for the army's role in restoring order, and its emphasis on inner party struggle all appear to allude to the sharpening in recent months of the battle

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lines between the militants who were in Mao's inner circle and a looser grouping of proponents of relative moderation on the politburo.

Continuing tensions throughout the nation's leadership hierarchy probably also contributed to Peking's failure to indulge in self-congratulation over the progress achieved since last year's anniversary in rebuilding the post - Cultural Revolution party apparatus. In any case, the reticence of the editorial on the regime's first order of domestic business is almost certainly because some key central departments, including the party secretariat, have yet to be formally reconstituted, because four provinces still lack party committees, and because the mere establishment of leading party organs in most of China's 29 provinces and special municipalities has proved no panacea for overcoming the political divisions, passions, and local leadership dislocations engendered by the Cultural Revolution.

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INDONESIA: The army-dominated government party seems reasonably assured of winning a plurality in the parliamentary elections tomorrow.

The election essentially is a contest between Sekber Golkar--an army-affiliated coalition of occupational and social groups--on the one hand and the nine political parties on the other. Only two of these--the traditionalist Moslem Nahdatul Ulama and the secular Nationalist Party, both of them strong in densely populated Java--have waged really active campaigns. Their effort has been chiefly one of defending themselves against Golkar and appealing to the loyalty of their traditional followers.

The major question now is Golkar's margin of victory. It has coerced and cajoled its way through the country, proselytizing among groups attached to the regular parties and demanding the allegiance of national and provincial government employees. Djakarta's civilian intelligentsia, which generally supports the government party, is puzzled as to why Golkar and the military have engaged in such overkill. These tactics would seem to have been unnecessary and are reported to have inspired a negative reaction in some areas. In any event, it seems likely that by one means or another, Sekber Golkar will win at least 131 of the 360 elected seats which, with the 100 appointed members, would give the government a majority in the 460-seat parliament.

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JAPAN: Tokyo continues to clarify the steps under its eight-point trade and capital liberalization program announced last month.

Tokyo hopes to initiate the program before September to counter expected heavy pressure at the upcoming meetings of the International Monetary Fund and the Japan-US Trade and Economic Joint Committee for a reduction of Japan's import barriers and large balance-of-payments surplus. It also hopes that these steps will relieve pressures to revalue the yen.

Tokyo this week removed quantitative restrictions on some 20 import items, mainly agricultural products and raw materials, that had been slated for liberalization in April. Moreover, at a recent meeting of key economic ministers, Finance Minister Fukuda made the pitch that the time is overdue for action rather than words and pressed for liberalization of additional products, including beef, integrated circuits, and computers.

There also was some indication that additions to the eight-point program might be forthcoming such as the elimination of the Automatic Import Quota System, which, in fact, has not been automatic but subject to government approval. Moreover, Tokyo might further dramatize its liberalization moves by announcing them in packages rather than piecemeal, primarily to improve Japan's flagging business image in the US. Although top government leaders favor speedy implementation of the programs, they are likely to encounter resistance from vested Japanese business interests. Some businessmen already have expressed disapproval of liberalizing computers either as imports or in capital investment.



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BRAZIL: Terrorists are planning a kidnaping, possibly involving a US diplomat.

Carlos Lamarca, a capable and dedicated revolutionary who is probably the principal Brazilian guerrilla leader, is preparing the kidnap attempt,

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[redacted] Al- though the guerrilla movement has been weakened considerably over the last several months by the government's aggressive counterterrorist activities and a tougher line toward ransom demands, such an effort remains a distinct possibility. The various terrorist groups seem to have been driven toward unification by recent government successes, and they would demonstrate a new vitality with a kidnaping. One report suggests the US ambassador will be the target in order to take advantage of current difficulties between Brazil and the US concerning Brazil's enforcement of its 200-mile territorial sea claim.

During the terrorists' last kidnap operation in December, the government forced the guerrillas to back off from most of their original demands for the exchange of the Swiss ambassador.

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SOUTH AFRICA - FRANCE: The recently announced agreement for the licensed production of French Mirage aircraft in South Africa is a significant advance in Pretoria's efforts towards a self-sufficient arms capability.

Under the agreement signed by the South African defense minister during his recent visit to the Paris air show, South Africa will produce basic elements of Mirage III fighters and Mirage F-1 interceptors. Aircraft engines and various sophisticated components, however, will have to be imported from France for several years. The French reportedly also will send technical advisers to South Africa and provide training in France for a "large number" of South African technicians. In addition, a French Defense Ministry official recently stated that France will sell a "complement" of Mirages to South Africa.

Initial South African production of the Mirage IIIs is not expected until 1973 and F-1 production presumably will not take place until the mid-70s. The F-1 is scheduled to enter production for the French Air Force later this year.

South Africa has long striven for self-sufficiency in arms production, particularly since the United Nations ordered an arms embargo of South Africa in 1963. The country has since produced small arms, light infantry weapons, French-designed armored cars, and Italian-designed jet trainers. South Africa also will participate in the production of a surface-to-air missile system developed by France. The facilities and experience involved in the jet trainer program will provide the South Africans with the technical foundation for Mirage production.

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**NIGERIA:** The military government is adopting a more militantly nationalist stance in pursuit of its post - civil war aspirations to a leading role in Africa.

The latest reflection of this tendency was Head of State Gowon's call at the recent OAU summit in Addis Ababa for the liberation of "at least one colonial territory within the next three years." To accomplish this goal, he urged the early adoption of pending recommendations for improving the organization's liberation committee. Gowon reiterated his call on his return to Lagos, but declined to provide further details for reasons of secrecy. Prior to the summit, Nigeria had already taken a strong public stand against Ivory Coast's proposal for a black African dialogue with South Africa.

Gowon's rhetoric may lead Nigeria to become more heavily involved with the various African liberation groups, whether or not this is his real intention. Up to now, Lagos has given little support to these organizations. As of last spring, moreover, Lagos was heavily in arrears in its financial contribution to the OAU's liberation committee. This was largely because of alleged Tanzanian diversion of arms for liberation movements to secessionist Biafra during the Nigerian civil war. In recent months, there have been indications that Nigeria was preparing to resume its payments or possibly even give some form of direct support to the liberation movements. Nigeria's logistical capability to provide military support will remain limited for some time to come, however, a situation recognized by the country's leaders last year when they sent a token shipment of arms to Guinea following the Portuguese-supported raid on Conakry.

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NATO-SALT: A few European allies will meet to discuss the effect of the Strategic Arms Limitations Talks on their interests following the regular US briefing to NATO on SALT next Tuesday.

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The European allies have been concerned over past Soviet demands for inclusion of Forward Based Nuclear Systems (FBS) in SALT and more recently over speculation that FBS might be included in talks on Mutual and Balanced Force Reductions (MBFR). Enhanced prospects for MBFR negotiations have probably increased European interest in consulting among themselves on the relationship among FBS, SALT, and MBFR.

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JAPAN-SWEDEN: A Japanese firm has agreed to sell the Swedish Navy KV-107 helicopters that are produced in Japan under a licensing agreement with the US. The helicopters, which can be used for transport, minesweeping, or search and rescue missions, reportedly will be delivered in 1973-1974 as replacements for obsolete US helicopters. Because Japanese policy prohibits the sale of arms and equipment to foreign countries for military purposes, Tokyo probably will maintain publicly that Sweden wants the helicopters for search and rescue missions.

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TRUCIAL STATES: The ruler of Abu Dhabi intends to reform his government to include 12 ministries, a consultative assembly of tribal leaders, a court system, and a civil service. At present, Abu Dhabi, like the other Trucial States, is an absolute autocracy in domestic affairs. Foreign affairs and defense are handled by the British Government. The Persian Gulf amirates are scheduled to form a federation in late 1971, but Bahrain and Qatar now appear intent on following an independent course. Because Abu Dhabi would be left as the most important entity in a smaller seven-state grouping, the ruler is apparently grooming his government to function more effectively in its leading role.

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